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GULF COOPERATION COUNCIL COLLECTIVE PRIORITY
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S E C R E T RIYADH 000486

DEPT FOR P U/S BURNS, NEA AA/S FELTMAN, SCA A/S BOUCHER,
S/P DIRECTOR SLAUGHTER, EEB/IFD/ODF

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TAGS: [EAID](#) [PREL](#) [PGOV](#) [EINV](#) [SA](#)
SUBJECT: HOW TO MAXIMIZE SAUDI FUNDING ASSISTANCE

REF: A. 04 RIYADH 5391
[1](#)B. 06 RIYADH 5910
[1](#)C. 06 RIYADH 7142
[1](#)D. 06 STATE 198236
[1](#)E. 07 STATE 12496
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[1](#)T. 08 STATE 9421
[1](#)U. 08 STATE 18802

Classified By: Deputy Chief of Mission David Rundell for reasons 1.4 (b)
and (d)

Key points

[1](#)1. (C) -- Saudi Arabia is a large aid donor. In 2007, the Saudi Fund for Development officially distributed 2.2 billion dollars in foreign assistance. Numerous other contributions are made through additional channels.

-- During the past five years the USG has made 66 formal requests for financial assistance. In the overwhelming majority of instances, the Saudis have made contributions to the relevant cause. However, in most cases it appears they did so for their own reasons, not because we asked.

-- Most USG requests have dealt with Iraq (12), Palestine (10), Lebanon (10), and Afghanistan (9). Most Saudi aid has gone to Palestine, Lebanon, and Afghanistan.

-- In a few instances our request made a difference to the size or direction of Saudi aid flows. Evidence suggests the Saudis are more likely to respond favorably to USG requests when: the request comes from the White House or cabinet level official, the amount is no greater than 40 million dollars, the request is for a cause the Saudis have already agreed to support and most importantly consultations on the issue take place before a request is made.

-- Two examples of where these tactics worked well are the Kandahar - Herat ring road in Afghanistan and the underwriting of Jordan's transfer of military hardware to the

Lebanese armed forces in 2006.

-- Post recommends that senior officials dealing with the Peace Process, Afghanistan and Iraq make quarterly visits to Riyadh to consult on policy and coordinate foreign assistance contributions.

Requests from the USG and Saudi pledges
over the past five years

12. (C) What follows is a summary of our requests and Saudi Arabia's foreign assistance contributions and pledges.

-- Iraq: We made 12 requests. The Saudis pledged \$500M in export credits, \$500M in concessional loans, and to forgive Iraqi debt at Paris Club terms. No progress on debt forgiveness has been made since September 2007. The distribution of the credits and loans remains unclear to us.

-- Lebanon: We made 10 requests. The Saudis pledged \$1B in concessional loans, \$600M in grants, additional assistance to the armed forces, and made a \$1B deposit in Lebanon's central bank.

-- Palestinians: We made 10 requests. The Saudis provided \$650M in budgetary assistance between 2002 - 2008, pledged \$1B to Gaza reconstruction and contributed additional funds to UNRWA.

-- Afghanistan: We made 9 requests. The Saudis pledged \$230M.

-- Pakistan: We made 6 requests. The Saudis pledged \$133M in grants, \$187M in concessional loans, \$153M in export credits. Much of this occurred after the 2005 earthquake.

-- Sudan (Darfur / Peace Process): We made 3 requests. There is no record of a Saudi contribution specifically for these issues.

-- Tsunami humanitarian relief: We made 2 requests. The Saudis pledged \$30M in government aid, and \$83M from a private telethon, while the Islamic Development Bank pledged \$500M in loans and trade financing.

-- Hurricane Katrina: There were no request for funds, but rather for how funds should be allocated once pledged. We made 2 requests. The Saudis disbursed their aid through Aramco's Houston office.

-- International Finance Corporation Middle East Program: We made 2 requests. There is no record of a Saudi contribution.

-- Jordan (concessionary oil sales): We made 2 requests. There is no record of a Saudi continuation of the program during the period of this review, though they did make earlier contributions.

-- Bosnia War Crimes tribunal: We made 1 request. There is no record of a Saudi contribution.

-- Georgia reconstruction: We made 1 request. There is no record of a Saudi contribution.

-- Horn of Africa humanitarian aid: We made 2 requests. The Saudis contributed \$500M to the World Food Program in 2008.

-- Kosovo: We made 1 request. There is no record of a Saudi contribution.

-- Liberia: We made 1 request. There is no record of a Saudi contribution.

-- WIREC: We made 1 request. There is no record of a Saudi contribution.

-- Yemen: We made 1 request. The Saudis are the largest

contributor to Yemen development assistance through the Saudi Fund for Development and other government agencies.

Background on Saudi aid

¶3. (SBU) Data on overall Saudi contributions to humanitarian aid, multilateral organizations, and development aid remain difficult to come by. According to the Saudi Embassy in Washington, between 2003 and 2007, the SAG gave a total of \$10.2 billion, although whether this includes contributions made through multilateral organizations is unclear. Saudi aid comes in many forms, but generally as direct monetary assistance, development aid administered by the Saudi Fund for Development, or as concessional loans.

¶4. (C) Current levels of Saudi foreign aid, while higher than during the late 1990s when oil averaged less than \$20/barrel, are substantially lower than during the 1970s and 1980s, particularly when adjusted for inflation. These lower levels likely reflect King Abdallah's more conservative fiscal policies relative to his predecessors; and an increasing commitment to spend on domestic infrastructure and development as a demographic youth bulge moves into the work force.

¶5. (C) Front channel U.S. requests to the SAG for contributions have generally concentrated on Afghanistan, Iraq, Lebanon, and the Palestinians. Of these causes, the Saudis have given the most to Lebanon and the Palestinians, with smaller contributions to Afghanistan, and little to Iraq. Moreover, the most significant Saudi contributions to these causes, including \$1 billion pledged to Gaza reconstruction in recent months, have typically been announced prior to any request from us.

Lebanon and the Palestinians

¶6. (C) From the beginning of 2003 to the end of 2008, the USG made 10 front channel demarche requests to the SAG for contributions to the Lebanese government, the Lebanese Armed Forces, and to UNRWA for activities in Lebanon, including the reconstruction of the Nahr al-Barid refugee camp. Most USG requests came immediately following the 2006 conflict between Israel and Hizballah. Saudi contributions to Lebanon during this time period included \$1 billion in concessional loans, a \$1 billion deposit in the Lebanese central bank to shore up the financial situation, \$500 million in reconstruction assistance, a \$100 million cash grant, and some support for the Lebanese Armed Forces. In September 2006, the Saudis actively solicited military aid for the Lebanese armed forces from foreign diplomatic missions in the Kingdom. None of these actions, with the exception of \$2.5 million given to Jordan to underwrite the transfer of 10,000 AK-47s, appears to have been a direct result of our requests; rather they are a reflection of the Kingdom's close ties to some within the Lebanese government and desire to oppose Syrian interference. For more on Saudi aid to Lebanon see refs B - E.

¶7. (C) Saudi aid to the Palestinians reflects the importance the SAG and King Abdallah attach to Saudi Arabia's leadership role in both the Arab and Muslim worlds. Between 2002 and the end of 2008, the SAG provided almost \$650 million in budget support to the Palestinian Authority (PA), more than \$20 million to UNRWA, and, in December 2007, pledged \$500 million for Palestinian issues over the 2008 to 2010 period (including emergency contributions, the Saudis would end up allocating more than \$500 million just for 2008). Since 1994, the Saudi Fund for Development has allocated another \$300 million for development projects. After the recent conflict in Gaza, the SAG pledged an additional \$1 billion for Gaza reconstruction. The SAG made this pledge before we approached them.

¶8. (C) Yet despite these significant contributions, there is

little evidence they were made in response to U.S. requests; and ample evidence to the contrary. The SAG has often channeled its funds through offices or mechanisms other than those we would prefer. In 2005 when the PA unity government came to power, the SAG continued to provide budget support through the Hamas-controlled Ministry of Finance, with Saudi FM Saud Al-Faisal telling the media they did not want to punish the ordinary Palestinians. More recently the SAG has stressed it can fund Gaza reconstruction without working with either Hamas or the PA (although they have not yet provided details as to how they aim to accomplish this). For more on Saudi aid to the Palestinians see refs F - I.

Afghanistan, Jordan, and Pakistan

¶9. (S) Afghanistan, Jordan, and Pakistan have been the largest recipients of Saudi aid behind Lebanon and the Palestinians, pledging \$230 million in aid to Afghanistan, including \$52 million to build a 115 km stretch of the Kandahar - Herat ring road, and \$473 million to Pakistan following the 2005 earthquake (\$113 million in grants, \$187 million in loans, and \$153 million in export credits). The Kandahar - Herat road construction seems to have been facilitated by extensive consultations with the Saudis, according to the cable record. Jordan received concessional oil from the Kingdom between mid-2003 and mid-2005, but when the U.S. asked for this program to continue, FM Al-Faisal told us a country's industry cannot be based on cheap oil, "it must end at some point." However it is worth noting that fuel assistance was originally provided to Jordan largely at our request. Also, the SAG made up a \$22 million difference between their original \$30 million pledge to the Afghan ring road and the \$52 million bid from the contractor at our request. For more on Saudi aid to Afghanistan, Jordan, and Pakistan see refs J - N.

Iraq

¶10. (S) The USG has sent at least 12 front channel requests for aid to Iraq over the past several years. Saudi commitments have generally taken the form of concessional loans, export credits, and debt forgiveness rather than cash grants or fuel aid. However, follow-through on these commitments has been minimal, particularly since Nouri Al-Maliki became the Iraqi prime minister. The last meeting between the two countries' finance ministries on debt forgiveness took place in September 2007, with no subsequent signs of progress. During a 2004 request for fuel aid, Minister of Petroleum Al-Naimi told the DCM he does not deal in "free oil, only business oil." For more on Saudi aid to Iraq see refs O - Q.

Other requests

¶11. (C) In response to most other USG requests over the past five years, generally in areas where the Saudis do not perceive a strategic interest, Saudi commitments were small to non-existent. Examples of such requests include demarches on aid to Kosovo, money for Liberian reconstruction, money for Georgian reconstruction, and funds for the Washington International Renewable Energy Conference. In other cases, such as for humanitarian aid for victims of the 2004 tsunami and for food aid for the Horn of Africa, the Saudis made commitments before we asked them. For more on our other requests to the Saudis see refs R - U.

Bottom line

¶12. (S) The Saudis are major aid donors who generally give to the same causes as we do. Evidence suggests that they do

this because our interests are aligned, not because we asked. The best way to increase foreign assistance cooperation is to consult frequently so the Saudis continue to recognize our symmetry of interests.

¶13. (S) There are instances where the Saudis gave because we asked. We will obtain more in these instances if our requests resemble those that have succeeded in the past. Rather than make large blanket requests, it helps to identify specific needs with specific costs. The Saudis are more likely to fund requests made by the White House or senior administration officials. Finally, if we make our requests after close consultation with several key Saudi decision-makers, we optimize our chances of success.

¶14. (S) Post recommends that the Special Envoy for Middle East Peace Mitchell, Special Representative for Afghanistan and Pakistan Holbrooke and Special Advisor for the Gulf and Southwest Asia Ross make quarterly visits to Riyadh for consultation and coordination of foreign assistance donations.

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